



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 30, 2001

H.J. Res. 51

Approving the extension of nondiscriminatory treatment to the products of the Socialist Republic of Vietnam

As ordered reported by the House Committee on Ways and Means on July 26, 2001

SUMMARY

H.J. Res. 51 would approve extension of nondiscriminatory treatment, or Normal Trade Relations (NTR) status, to the Socialist Republic of Vietnam, as recommended by the President on June 8, 2001. CBO expects that enacting the bill would reduce revenues by \$33 million in 2002, by \$181 million over the 2002-2006 period, and by \$416 million over the 2002-2011 period. Since enacting H.J. Res. 51 would affect revenues, pay-as-you-go procedures would apply.

H.J. Res. 51 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 51 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN REVENUES					
Estimated Revenues	-33	-34	-36	-38	-40

BASIS OF ESTIMATE

H.J. Res. 51 would immediately extend NTR to products from Vietnam. Such products currently bear general rates of duty which are significantly higher than the rates applied to products from countries with NTR treatment. Based on information from the Office of the United States Trade Representative (USTR) and from Census Bureau data on imports from Vietnam, CBO estimates that the reduction of tariff rates would reduce revenues by about \$33 million in 2002, net of income and payroll tax offsets. This estimate includes the effects of increased imports from Vietnam that would result from the reduced prices of imported products in the United States—reflecting the lower tariff rates—and has been estimated based on the expected substitution between U.S. products and imports from Vietnam. In addition, it is likely that part of the increase in U.S. imports from Vietnam would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half the increase in U.S. imports from Vietnam will displace imports from other countries.

An extension of NTR treatment to products from Vietnam would be subject to annual review. Under the Trade Act of 1974, nondiscriminatory trade relations may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. The President may waive this prohibition on an annual basis, however, if he certifies that doing so would promote freedom of emigration in that country. Vietnam has received such a waiver on an annual basis since 1998, and CBO assumes that Vietnam would continue to receive such a waiver after enactment of H.J. Res. 51. Based on information from the USTR and the Census Bureau, CBO estimates enacting the legislation would reduce revenues by \$181 million over the 2002-2006 period, and by \$416 million over the 2002-2011 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, In Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	0	-33	-34	-36	-38	-40	-42	-44	-47	-49	-52
Changes in outlays											

Not applicable

INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT

H.J. Res. 51 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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